



## **Appendix 2**

# **Remuneration Policy**

ISS A/S

CVR no. 28 50 47 99



## Remuneration Policy of ISS A/S

### **1 Preamble**

- 1.1 This remuneration policy (the “Remuneration Policy”) of ISS A/S, CVR no. 28 50 47 99, (“ISS” or the “Company” and together with its subsidiaries, collectively the “ISS Group”) has been prepared in accordance with sections 139 and 139(a) of the Danish Companies Act as well as the recommendations published by the Danish Committee on Corporate Governance and implemented by Nasdaq Copenhagen A/S.
- 1.2 The Remuneration Policy provides a framework for remuneration to the members of the Board of Directors and the Executive Group Management Board of ISS. It is the Board of Directors’ ambition that the Remuneration Policy shall be clear and transparent. The Executive Group Management Board means the executive officers of the management board of ISS, registered as such, with the Danish Business Authority. The Remuneration Policy applies to remuneration to the members of the Board of Directors and the Executive Group Management Board for work performed for ISS, including all companies in the ISS Group.

### **2 General principles**

- 2.1 The overall objectives of the Remuneration Policy are (i) to attract, motivate and retain qualified members of the Board of Directors and the Executive Group Management Board by providing competitive remuneration that recognises high performance and supports ISS’ values and leadership principles; (ii) to create a strong link between remuneration and achievement of our strategic goals and financial performance – both short-term and long-term – for the Executive Group Management Board by providing a significant proportion of their total remuneration in performance-based incentives; and (iii) to align the interests of the Executive Group Management Board with the interests of our shareholders by providing a significant proportion of their total remuneration as shares and/or as share related instruments and to require or recommend a certain amount of shares to be held by members of the Executive Group Management Board.
- 2.2 The remuneration of the Board of Directors and the Executive Group Management Board shall be designed to support the strategic short and long-term goals of ISS and to promote sustainable value creation for the benefit of the shareholders of ISS.
- 2.3 The Board of Directors seeks to design the remuneration package to the Executive Group Management Board in a manner that is competitive with and reflects the dynamics of the market in which ISS competes for talent.

### **3 Remuneration of the Executive Group Management Board**

- 3.1 Annual base salary
  - 3.1.1 The annual base salary for the members of the Executive Group Management Board shall be in line with market practice of comparable listed companies and based on the individual member’s experience, qualifications, responsibilities and performance. The annual base salary primarily serves the purpose of being able to attract and retain high-performing leaders. The annual base salary may account for up to 100% of the total remuneration to



each member of the Executive Group Management Board depending on the level of achievement of variable remuneration as described in in this Remuneration Policy.

- 3.1.2 The members of the Executive Group Management Board may be granted non-monetary benefits such as a company car as well as other customary non-monetary benefits such as insurance, communication and IT equipment, subscriptions, etc. Non-monetary benefits may have a total value of up to 10% of the annual base salary.
- 3.1.3 Depending on a member of the Executive Group Management Board's individual circumstances in connection with relocation, such member of the Executive Group Management Board may receive relocation related benefits such as temporary housing, relocation services, moving of household, tax assistance and other relocation costs as determined by the Board of Directors. Relocations benefits may have a value of up to 15% of the annual base salary.
- 3.1.4 The members of the Executive Group Management Board shall generally arrange for their own pension planning but may also be covered by a pension plan provided for through the ISS Group under which the contribution by the Company shall not exceed 1% of the annual base salary. In extraordinary circumstances, there may be a requirement to provide a pension, in which case the value of pension contributions made by the Company shall not exceed 20% of the annual base salary.
- 3.2 Variable remuneration
  - 3.2.1 In addition to the annual base salary, the members of the Executive Group Management Board may receive variable remuneration. Such variable remuneration shall be based on performance and accountability in relation to established objectives, both short and long-term, as well as the overall performance of ISS. When setting targets for the incentive programmes, the Board of Directors shall take into account international market practice, budgets and long-term business plans supporting ISS' strategic goals and values.
  - 3.2.2 The variable remuneration may consist of a variety of variable components, as determined by the Board of Directors and as described in this Remuneration Policy.
  - 3.2.3 The amount and composition of the variable remuneration for each member of the Executive Group Management Board shall support ISS' sustainability and achievement of the short and long-term goals. Key operational objectives on strategic targets and priorities, such as cash, growth, profit, earnings per share and total shareholder return relative to other Danish listed companies and/or ISS' peers or other financial or non-financial objectives as determined by the Board of Directors, may be used as a measurement of the performance. In addition, the historic and expected performance of the Executive Group Management Board, motivation and loyalty, and the general situation and development of ISS may also form part of the terms and conditions of the variable remuneration.
  - 3.2.4 The variable remuneration serves the purpose of rewarding individual effort and performance of members of the Executive Group Management Board so that the



aggregate remuneration paid to a member of the Executive Group Management Board is in line with market practice of comparable listed companies.

- 3.2.5 The Board of Directors shall ensure a reasonable balance between short and long-term incentives and that the variable components of the remuneration of the Executive Group Management Board are based on actual achievements over a period of time and/or subject to the continued employment of the members of the Executive Group Management Board with a view to create long-term sustainable value.
- 3.2.6 Long-term incentive programmes shall be designed to promote the creation of long-term value and sustainability of the Company and thereby seek to discourage behaviour that leads to excessive risk. Both short and long-term incentive programmes shall be awarded annually or as otherwise decided by the Board of Directors to ensure a rolling programme of variable incentives.
- 3.2.7 ISS purchases treasury shares to satisfy obligations assumed by ISS under the incentive programmes.
- 3.3 Short-term incentive programmes
  - 3.3.1 Members of the Executive Group Management Board may be offered to participate in short-term incentive programmes. Short-term incentive programmes may consist of the possibility of receiving cash, share(s) and/or share related instrument(s). Short-term incentive programmes shall be designed to motivate short-term performance while promoting sustainable growth and securing a strong focus on achieving the Company's strategic objectives and creating shareholder value.
  - 3.3.2 The members of the Executive Group Management Board may be offered an annual performance-based cash incentive with a maximum pay-out of up to 100% of their annual base salary. Performance shall be measured for each financial year and will depend on the achievement of certain criteria such as financial KPIs, that may include operating margin, organic growth and free cash flow, and non-financial KPIs, that may include employee and customer related KPIs as well as health and safety. The specific criteria as well as the weight of each criteria may vary from year to year as determined by the Board of Directors. The level of achievement of financial and non-financial KPIs shall be determined by the Company's performance as disclosed in the annual report or as assessed internally or with external assistance as deemed relevant.
  - 3.3.3 An achieved cash incentive becomes payable in full or in arrears as soon as practically possible after the Board of Directors or such other person authorised thereto has determined the amount of the incentive, however, no later than the end of the second month following the Board of Directors' approval of the annual report for the financial year related to the cash incentive, unless otherwise decided by the Board of Directors.
- 3.4 Long-term incentive programmes
  - 3.4.1 Members of the Executive Group Management Board may be offered to participate in a long-term incentive programme under which they shall be eligible to receive a number of performance-based share units ("PSUs" and each a "PSU") or a mix of PSUs and



restricted share units (“RSUs” and each a “RSU”). PSUs shall be subject to fulfilment of certain key operational objectives or other objectives to be determined by the Board of Directors. The long-term incentive programme and the objectives applied shall be designed to support the Company’s strategy, long-term interests and sustainability by aligning the interests of the Executive Group Management Board with the interests of the Company and the shareholders through providing a significant proportion of the total remuneration as shares and/or share related instruments.

- 3.4.2 Upon vesting, each PSU and/or RSU entitles the holder to receive one share in ISS at no cost. Prior to vesting, holders of PSUs and/or RSUs shall not have any of the rights that holders of shares would otherwise be entitled to, such as voting rights, except as set out in clause 3.4.3 below.
- 3.4.3 In the event the Company distributes a dividend (ordinary or extraordinary) in the period between grant and vesting of PSUs/RSUs, the number of PSUs/RSUs which have been granted under the long-term incentive programmes (including extraordinary grants and additional grants in accordance with this clause 3.4.3) will be increased through an additional grant of PSUs/RSUs. The number of additional PSUs/RSUs granted will reflect the value of the dividend which should have been paid to holders of PSUs/RSUs had these vested and been converted into shares at the time of distribution of such dividend.
- 3.4.4 PSUs and/or RSUs are expected to be granted annually (the “Annual Grant”). PSUs and/or RSUs shall be granted at the sole discretion of the Board of Directors.
- 3.4.5 PSUs granted as a part of an Annual Grant shall be subject to fulfilment of certain key operational objectives that may include financial targets such as earnings per share and total shareholder return compared against Danish listed companies and international companies and/or other non-financial targets or objectives as determined by the Board of Directors. PSUs vest on the date of the third anniversary from the relevant grant date. The level of fulfilment of the key operational objectives, and consequently the number of PSUs that will vest in a given year, may be determined by the Company’s performance as disclosed in the annual report as well as financial results disclosed by relevant Danish listed companies and international companies.
- 3.4.6 RSUs granted as a part of an Annual Grant shall vest on the date of the third anniversary from the relevant grant date.
- 3.4.7 The value of PSUs and/or RSUs granted under the long-term incentive programme to an individual member of the Executive Group Management Board in a given financial year may not exceed 200% of that individual member’s annual base salary at the time of such grant for each financial year. If a mix of PSUs and RSUs are granted, the value of the RSUs shall not exceed 50% of the total grant. The value of an Annual Grant, and accordingly the number of PSUs and/or RSUs granted, shall be calculated using the average trading price of ISS shares on Nasdaq Copenhagen A/S during the past 30 trading days prior to the grant or such shorter period as determined by the Board of Directors.



3.5 Extraordinary remuneration

3.5.1 In special circumstances, as deemed necessary by the Board of Directors in order to support the achievement of the Company's strategy or short or long-term interests, the Executive Group Management Board may be offered a separate cash, share and/or share related instrument bonus, e.g. sign-on bonus, retention bonus, severance payment or transaction related bonus, or other extraordinary incentive remuneration with an annual aggregate value, either at the time of such grant or at the time of payment as determined by the Board of Directors upon grant, of up to 100% of that individual member's annual base salary for each financial year.

3.6 Key terms of employment agreements, including termination and severance payment

3.6.1 Employment agreements with members of the Executive Group Management Board are generally entered into on an indefinite term and shall be subject to a maximum notice of termination of 18 months from the Company, except for the employment agreement with the Group CEO who may be terminated at maximum 24 months' notice. Termination by a member of the Executive Group Management Board shall be subject to a minimum of six months' notice.

3.6.2 The members of the Executive Group Management Board shall not be entitled to any separate termination right or severance payment in the event of a merger, acquisition or public takeover of ISS.

3.6.3 The total remuneration related to the termination period, including salary during the notice period and any severance pay, to a member of the Executive Group Management Board shall not exceed two years' total remuneration including all remuneration components.

3.7 Claw back, malus and termination of incentive programmes

3.7.1 Agreements with the members of the Executive Group Management Board shall entitle the Company in exceptional cases, to withhold or reduce payment of or reclaim in full or in part variable components of remuneration if such variable components are payable or were paid on the basis of information, which subsequently proves to be manifestly misstated or if a member of the Executive Group Management Board is deemed to have caused a material loss to the Company due to wilful misconduct or gross negligence.

3.7.2 The Board of Directors may lay down specific terms governing the termination of incentive programme(s) or the reduction of variable remuneration, including lapse in cases of serious non-compliance with the Company's reporting or accounting standards, failure to react to internal audit reports, significant audit adjustments and material legal issues (e.g. anti-competition, corruption and fraud), or manifest errors in the accounting figures or other basis for award or vesting under an incentive programme.

**4 Amendment of incentive programmes**

4.1 The Board of Directors may decide that specific terms shall apply for accelerated vesting as well as for adjustment of the incentive programmes in case of a takeover in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of the Company. The Board of Directors may further lay down terms governing adjustment of performance targets, etc. in the event that the Company's capital structure is changed, or



in the event of other material events, which would otherwise influence adversely the value or effect of the incentive programmes. Finally, the Board of Directors may decide to shorten the vesting period of PSUs and/or RSUs for newly appointed members of the Executive Group Management Board in order for such member to participate in already established long-term incentive programme.

## **5 Remuneration of the Board of Directors**

- 5.1 The members of the Board of Directors shall be remunerated with fixed annual fees. The fee is designed to be able to attract and retain competent members to the Board of Directors. Remuneration of members of the Board of Directors shall not include share or warrant related incentive programmes.
- 5.2 All members of the Board of Directors whether elected by the general meeting or the employees of ISS or the ISS Group receive an annual base fee ("Base Fee") which shall be in line with market practice of comparable listed companies taking into account the required competencies, effort and scope of work of the members of the Board of Directors.
- 5.3 The Chairman of the Board of Directors shall receive three times the Base Fee and the Deputy Chairman shall receive 1.5 times the Base Fee for their extended duties.
- 5.4 All members of the Board of Directors who are also members of the committees established by the Board of Directors shall receive an additional annual fixed fee as remuneration for their committee work. The size of the fixed committee fee depends on the competencies, effort and scope of work required from the members of each committee.
- 5.5 The chairman for any board committee shall receive an additional fee of up to one time of the Base Fee. The other members of board committees shall receive an additional fee of up to 1/2 of the Base Fee.
- 5.6 The general meeting annually approves the remuneration to members of the Board of Directors for the past financial year as part of the approval of the annual report and remuneration to members of the Board of Directors for the current financial year is approved as a separate agenda item.
- 5.7 In the event a member of the Board of Directors takes on specific *ad hoc* tasks outside the scope of ordinary tasks of the Board of Directors in accordance with the Rules of Procedure of the Board of Directors, such member may be offered a fixed *ad hoc* fee for the work carried out related to such tasks subject to the prior or subsequent approval by the Board of Directors. Fees to a member of the Board of Directors in relation to *ad hoc* tasks may not exceed two times the Base Fee for each financial year.
- 5.8 Reasonable expenses incurred by members of the Board of Directors in relation to meetings of the Board of Directors and board committees and in connection with the performance of specific tasks assigned by the Board of Directors as well as relevant training may be reimbursed by the Company. The Chairman is entitled to reimbursement of reasonable expenses to secretarial services in relation to the duties as Chairman.





- 5.9 If members of the Board of Directors have to travel to attend ISS meetings, a fixed daily allowance may be paid to such members. The aggregate value of such allowances may not exceed 50% of the total remuneration received by a member of the Board of Directors.
- 5.10 Mandatory social charges (and similar taxes) imposed by foreign authorities in relation to board fees may be covered by the Company. The value of social charges and similar taxes paid by the Company may not exceed 50% of the total remuneration received by a member of the Board of Directors.
- 5.11 Members of the Board of Directors are elected or re-elected for a term of one year by the shareholders at the annual general meeting.
- 6 Share ownership guidelines**
- 6.1 To strengthen the alignment between the Executive Group Management Board and ISS' shareholders, the Board of Directors has introduced share ownership guidelines for members of the Executive Group Management Board. Subject to determination by the Board of Directors of the appropriate ownership level, the Group CEO is expected to build up a holding of shares equivalent to a value between 100% and up to 200% of the annual base salary and other members of Executive Group Management Board are expected to build up a holding of shares equivalent to a value between 70% and up to 150% of the annual base salary. Such ownership is expected to be built up by retaining shares vested as part of the participation in the Company's long-term incentive programmes or other share or share related programmes requiring that at least 50% of shares received as a result of vested RSUs and/or PSUs are retained following disposals of shares in order to meet any tax and other associated obligations. The Board of Directors shall be entitled to amend the share ownership guidelines if the remuneration changes or allow for disposal of shares and/or share related instruments regardless of whether the share ownership guidelines are met if it is deemed appropriate by the Board of Directors and not in conflict with the Company's long-term interests.
- 7 Relationship to remuneration paid to other employees of the ISS Group**
- 7.1 The terms of employment for employees within the ISS Group have been taken into account in the preparation of this Remuneration Policy for the members of the Board of Directors and the Executive Group Management Board. Taking into account market practice for remuneration in comparable companies, the size, complexity, geographic scope and industry of the ISS Group, and considering the responsibilities and duties of the members of the Board of Directors and the Executive Group Management Board compared to other employees of the ISS Group, the Board of Directors believes there is an appropriate balance between remuneration to employees of the ISS Group and remuneration to the Board of Directors and Executive Group Management Board.
- 7.2 As determined by the Board of Directors, a selected number of employees of the ISS Group in key positions may be eligible to participate in short and long-term incentive programmes of ISS and be subject to share ownership guidelines.





## **8 Procedure for adoption and revision of the Remuneration Policy**

- 8.1 The Board of Directors has established a remuneration committee (the “Remuneration Committee”) to ensure that ISS maintains a remuneration policy for the members of the Board of Directors and the Executive Group Management Board as well as a general remuneration policy for ISS. The Remuneration Policy and any changes thereto shall be approved by the Board of Directors as well as the general meeting of the Company.
- 8.2 The Remuneration Committee shall discuss the need to revise the Remuneration Policy at least once a year. When deemed relevant, the Remuneration Committee shall prepare a proposal for a revised remuneration policy and present to the Board of Directors for consideration. If the Board of Directors approves such proposal, the Board of Directors shall make a proposal to adopt the revised remuneration policy no later than at the following annual general meeting.
- 8.3 The Remuneration Committee shall evaluate and make recommendations for the remuneration of the members of the Board of Directors and the Executive Group Management Board and ensure that the remuneration is in compliance with the Remuneration Policy.
- 8.4 The Remuneration Committee can engage independent external advisers to advise the Remuneration Committee in matters relating to remuneration and other related matters within the scope of duties of the Remuneration Committee. The Remuneration Committee shall avoid engaging the external advisers that assist the Executive Group Management Board on similar matters.
- 8.5 In order to avoid conflicts of interest, the general meeting approves the Remuneration Policy as well as the remuneration to the Board of Directors. The Board of Directors is responsible for determining and approving remuneration to members of the Executive Group Management Board.

## **9 Deviation from the Remuneration Policy**

- 9.1 When deemed necessary by the Board of Directors in order to ensure the long-term interests of the Company and to meet the overall objectives of this Remuneration Policy, the Board of Directors may in individual special cases deviate from the principles of this Remuneration Policy. Deviations may include changes to the relative proportion of the elements of the annual base salary and annual fees to the members of the Executive Group Management Board and the Board of Directors, respectively, changes to the maximum value of short-term incentives, changes to the maximum value of the long-term share and/or share related programmes and the duration of the programmes and changes to the term of and termination provisions in agreements entered into with members of the Executive Group Management Board.
- 9.2 Any deviation must be discussed and approved by the Board of Directors on the basis of a written proposal.



- 9.3 Should the Board of Directors deem it relevant to continue a practice that was introduced as a deviation, the Board of Directors must present the shareholders with a proposal for an updated Remuneration Policy at the following general meeting.
- 9.4 The remuneration report must include a description of any deviations that have been effectuated during the past financial year along with an explanation of the reasons behind such deviations.
- 10 Approval and publication of the Remuneration Policy**
- 10.1 This Remuneration Policy has been approved by the Board of Directors on 25 February 2020 and adopted by the general meeting of ISS on 2 April 2020. This Remuneration Policy shall apply to any fixed or variable remuneration awarded from the time of adoption. The Remuneration Policy shall be posted on the Company's website ([www.issworld.com](http://www.issworld.com)) specifying the date of adoption and results of the vote, if relevant.
- 10.2 The Remuneration Policy shall be presented to the general meeting of ISS for approval at least every fourth year and upon any proposed material amendments.
- 10.3 The Remuneration Policy shall be described in the Company's annual report and/or the remuneration report and compliance therewith shall be explained and motivated by the Chairman at the annual general meeting.
- 10.4 Information on the remuneration, including the remuneration components, for the Executive Group Management Board and the Board of Directors granted by the Company and other companies within the ISS Group, shall be disclosed on an individual basis in the Company's remuneration report for the relevant financial year, including a statement on compliance with this Remuneration Policy.

As approved by the general meeting of ISS A/S on 2 April 2020.